

## Double blow...with a rake

Vol. 4, No. 111, April 20, 1998

Walking in the Du Pond Circle in Washington D.C., Leva was stopped by three black guys dressed in queer outfits, who pointed a gun at him. "Give me your wallet, man, or I'm gonna kick your ,," said the biggest of them. "Leave me alone mates," said Leva in Russian, "I don't speak any English, and it was not me who made your grandpas slaves."

The gun made an impressive movement. "Give me your cash, your watch, all you've got or else ...," the big one repeated.

Don't you understand that I don't understand a word?" Leva shook his head, getting irritated. "Get lost, you blockheads," said he and walked away. The gun didn't fire. What could the robbers do if they didn't understand Russian?

(Modern emigrant folklore)

If this story is extrapolated on the current relations between Ukraine and the United States, it would adopt some different hues. Ukraine is demanded to carry out reforms, which is, first of all, in its own interests, but it does not understand what the whole thing is about. The possibility of reduction or even suspension of American assistance to Ukraine in FY 1999 - the issue that has overshadowed all other problems of Ukrainian- American relations, which emerges remarkably regularly every spring when the Congress starts debating appropriations for foreign assistance - is only a consequence, not a cause of the problems in the bilateral relations. It is only a blow with a double-edged rake dealt to both Ukraine and the US when the latter has to admit that the earlier appropriations produced no desired result and that Ukraine has nothing positive to show again either in the matter of fighting corruption (not a single just trial) or in privatization (nothing attractive at the privatization auctions).

In May 1997, Ukrainian Ambassador to the US Yuri Shcherbak told the American press that President Kuchma had "made eradication of corruption and improvement of the investment climate in Ukraine his Number 1 foreign policy task." A year after, the old cases of the Gala Radio, P. G. Trading and six other American investors are still pain in a neck for the Ukrainian Ambassador in the United States and the US Ambassador in Ukraine, even after Ukrainian courts made their judgments in favor of the American investors. Those cases are just finishing touches to Ukraine's rather ugly image in the US. Ukraine is viewed as the best example of the wrong way to pursue reforms. Apparently, Americans are getting bored with discussing of what is going on in Ukraine and why the reforms are staggering and whether they are reforms at all. Assorted suggestions to the American government about how Ukraine should be helped gradually gave way to dumb irritation. The irritation is getting only worse as the people in Washington D.C. feel they should not expect remarkable progress and that expectations about Ukrainian reforms were too high. Although President Clinton keeps saying that nowadays security in Europe can be won not through competition but through cooperation for the sake of a common goal, and stresses that it is natural for Ukraine to seek being closer to NATO and for NATO to move to Ukraine in order to help it to enhance its position in the heart of the new united Europe, all these are geopolitical statements that have no practical implications for those who have stepped on the rake, i.e., who have either lost his investment or still struggling to get his money out of Ukraine.

Meanwhile, the official Kyiv does not seem to understand the reaction of the American investors who have "stepped on the rake". Ukrainian officials do not understand how those investors, even not influential ones, can make a lot of fuss at the House of Representatives, demanding reaction to his grievances and making his demands heard by members of the Congress and American executive officials. Instead, Ukrainian officeholders tend to view such protests as conspiracy of ill-wishers. They continue to believe that Ukraine's geopolitical situation will make Americans if not get used to the nature of Ukraine's "reforms" then, at least, to turn a blind eye to a number of cases of racket designed to rob foreign investors. Official Kyiv prefers to ignore numerous publications in the American press about corruption in Ukraine, including some impressive generalizations like "Ukrainians view creation of joint ventures as an opportunity to strip a foreign partner of his belongings and throw him away..." In their turn, Ukrainians start generalizing and pointing out to other countries, saying that corruption is

omnipresent and the Americans have no point in their efforts to attract their "strategic partner's" attention to its problems with corruption. No wonder that after such generalizations Senator Ben Campbell (R-Col.) argues that assistance to Ukraine should be cut down from US\$ 225 million in 1997 by "as much as they cheat on American companies", and that former US Ambassador to Ukraine William G. Miller speaks about an "oligarchic capitalism" being built in Ukraine. However, this reasoning appears to be unacceptable, and a different language spoken in Ukraine. In March 1998, the Ukrainian President said: "they only promise us to help ... but the reforms will not go ahead unless there are investments. A vicious circle... Shall we wait till the West helps us? ... Maybe somebody wants to confine himself to declarations, but not me..." Though, how can one expect investments if, in the American reasoning, "Ukrainians view creation of joint ventures as an opportunity to strip a foreign partner of his belongings and throw him away"? And both of the sides believe they are right.

One can only hope that Ukrainian officials' expectations that yet another Congressional discussion of the challenges faced by American investors in Ukraine will not cause the freeze of the assistance are well-grounded; otherwise the prospects for receiving IMF and World Bank loans will become rather uncertain. Most likely, they are already uncertain, but Strobe Talbott's words about "optimism" with which the US looks at the prospects of "strategic partnership" with Ukraine suggest that American heads are stronger and that though the feeling is not a pleasant one, Americans cannot be deterred by the consequences of stepping on the rake. In my view, it is not wise to test the strength of their heads several times a year.

In order to understand the roots of the situation, one should consider the main stages of the Ukrainian-American relationship after the euphoria in Washington D.C. caused by the declaration of independence of Ukraine. Among the initial mistakes there was the appointment of Oleg Bilorus as Ukraine's Ambassador to the USA, though both his appearance and actions regularly made him a laughing stock in the D.C. after the initial shock was gone.

Compared to young Russian, Georgian and Estonian diplomats Bilorus, now an activist of the Hromada party could be tolerated only when he kept silence, as his statements about Ukraine as a "great powerful state" which "needs assistance" did not make an impression of well-thought: if a state is so "great" and "Powerful", why do others have to help it? Possibly, Ukrainian diplomats could have achieved much more if the first ambassador of this country to the USA were a Ukrainian American who knew all about the ways of the Washington policy-making community, who understood Americans' way of thinking and knew what was appropriate to say in specific cases. For instance, Lithuania and Estonia did so, and possibly, their impressive diplomatic success in relations with the United States can be explained by that fact. At least, the Lithuanian and Estonian ambassadors managed to get back the facilities in Washington D.C. where their embassies were located in the pre-Soviet time. The Ukrainian Embassy building cost US\$ 1.5 million plus renovation costs. In 1991-1994, Ukraine received an image of an inert unreformed state, unable to formulate its interests independently and capable of decision-making only when under pressure. The ratification of the NPT and the declaration of the radical reform course in 1994 restored the vanishing hopes for Ukraine's success.

However, Ukraine's weak point remained: the lack of an ongoing public relations effort aiming at building Ukraine's positive image in the US. It remains a mystery who and why decided that regular visits of Ukrainian bureaucrats, most of whom spoke no English at all and looked like chairmen of collective farms, and exhibitions of Maria Prymachenko's traditional art would create a proper image of Ukraine in the United States. It is unclear why the Ukrainian Foreign Ministry decided that Americans of Ukrainian origin have to help it in the pursuit of its political line in Washington D.C. in the way that appeared appropriate to the Foreign Ministry. The nature of the current Ukrainian-American relations is, to a major extent, a consequence of Foreign Minister Udovenko's perspective on the US as a temporary place of residence of the Ukrainian diaspora.

The lack of a determined, well-thought effort of the Ukrainian state to form its own positive image by means of organizing a PR campaign is, in my opinion, the principle cause of most of the problems in the Ukrainian-American relations. If Ukraine does not do the job, it will be done by somebody else and, of course, the result will be the opposite to what Ukraine needs. Currently Ukraine's image in Washington D.C. is formed by sporadic glimpses and impressions that do not match. Evidently, one may share Ambassador Yuri Shcherbak's indignation over articles in the American press about Ukraine's alleged arms sales contracts with Libya, or Ukrainian planes reportedly used to smuggle

drugs, but indignation is not a professional reaction to such publications. In my opinion, Ukraine's image in the American society suffers most of all not from overtly ordered individual publications, based on badly verified claims (though the American press tends to be much more accurate than Ukrainian colleagues) but from articles that picture Ukraine as a dysfunctional entity - like, for instance, the Wall Street Journal article about sexual slavery of some teenage Ukrainians. The problem is that Ukraine has adopted the least effective tactics of passive reaction to every "image-making" publication in the press. If this country does want to ensure a sustainable positive reputation, it must not only react to some "outer irritants" but seek to make an impact on its image in the United States. Sooner or later, this job will have to be done regardless of who is the leader in a present-day Ukraine and who will run the country in the future. After a while it will be more difficult to do that job, and the burden of faults, unintentional and otherwise, will be heavier, and the loads of mutual accusations, misunderstanding and conflicts will bigger. Finally, the rake will be used for its direct purpose, i.e., for raking away all those old "leaves" of grievances, accusations and misunderstanding.

First of all, there is a strong need for the Ukrainian government to make a comprehensive list of all promises made to the US. A number of American government agencies and NGOs keep a record of pledges made by different Ukrainian officials on behalf of Ukraine, and never fulfilled. I believe there must be a Ukrainian version of this record, at least so that one could evaluate the amount of work to be done. The list of vows should include the ones made by former members of the Cabinet of Ministers of Ukraine in order not to allow the situation when a minister refuses to comply with his predecessor's commitments it was not he who made that pledge.

Second, the Ukrainian Embassy's performance in the United States should be radically improved. American NGOs must be able to obtain all openly available information about the political processes in Ukraine directly from Ukrainian sources instead of getting distorted incomplete pieces from sources like the ITAR-TASS. Currently almost all representatives of American NGOs complain that such information is practically impossible to get from the Ukrainian Embassy. Our Embassy in the US should go beyond its steady socialization circle - which mainly includes representatives of the Ukrainian diaspora - and start working with American organizations, American journalists, primarily those who are regarded as influential in Washington D.C.

Obviously, the efforts will not bring fruit at once but they will make a difference, expressed in a new tone of articles and a new quality of area research conducted in the US. The Ukrainian Embassy should organize more quality events, conferences, seminars in Washington D.C., New York and other major cities, and take time to explain what is going on in Ukraine again and again. The lack of information about Ukraine available to the general American public, including the fact that practically nobody knows that the current conflicts involve only eight investments out of over 200, is the direct consequence of the Ukrainian Embassy's failure to do the PR job for Ukraine. The mere wish to make a difference is not enough. Of course, such an effort demands qualified staff and money. As far as the staff is concerned, Germany, whose cultural and financial interests are represented in the United States in a way not comparable with Ukrainian, has fifteen members of the Embassy staff whose job is to work with American public opinion. The money can be found even in the US; the most important thing is to understand what exactly should be done. Besides, Ukraine's losses from the failure to attract foreign investment is simply incomparable with PR costs.

Third, American governmental agencies and NGOs should be dealt with by people who are known and trusted in the US by the trust that has been built for years. For instance, Victor Pynzenyk's resignation, no matter how he was viewed in the United States, caused noticeable chill in American financial circles' attitude to Ukraine. Meanwhile, the expected appointment of Borys Tarasiuk, known and respected in the US, as Ukrainian Foreign Minister will obviously enhance Ukraine's American friends' positions.

Ukraine has a very limited number of options until the "count of damages" is performed and a new effort is taken to improve the situation. Of course, for some time one can live with numerous measures that feature in the recent Ukrainian-American relations. Though, temporary compromises like the issue of Ukraine's involvement in the construction of the Busher NPP, matched with some concessions made by the US party are good only as a method of maintaining a certain level of relations, but they have no impact on the underlying problems. Taking into account America's justified suspicions Ukraine could offer the rejection of the notorious Busher contract in exchange for the money offered by the US as compensation for dropping the contract. In addition, Ukraine could provide Americans with an

opportunity to control the way the "compensation" money is used. This arrangement would inspire trust by its transparency and, as a result of that trust, add some respect for Ukraine. Although details of such a step are not that simple and need thorough consideration, it is not impossible to make.

Carlos Pasquale's statement that true intentions of the Ukrainian government will be tested by its fidelity to real obligations and its attitude to real reforms may be a little too straightforward for an American official but, nevertheless, it clearly reflects the current American attitude to the political line pursued by the Ukrainian government. Until the problems of some American investments are not resolved, until the Ukrainian government starts protecting investors, any PR efforts, no matter how effective they may be, may only cover Ukraine's image with some gloss. The Ukrainian authorities alone may improve the quality of that image by means of creating conditions under which investors will not have to worry about bribery or taking home their capitals. Those who will deal with Ukraine's image abroad will have to think how to present Ukraine's every success so that to create the impression of a sustainable progress on the way towards market reforms. American investors' money will work to create the publicity that will contribute to the development of Ukraine's most powerful lobby, a lobby of American investors who have their stakes in Ukraine. To achieve that, one does not even need the presidential Consultative Council for Foreign Investment, especially in its present status, when a number of bureaucrats control other bureaucrats. Instead, there is a strong need for the observance of stable and transparent rules of the game that are equal for all, American, European, Russian, but first of all Ukrainian investors. And then a happy-end in the current Ukrainian-American relations is quite possible.

Optimistically - which is rather unusual for myself, I believe that the "rake" can be easily substituted with a modern lawn-mower that can crop the "greens" to the benefit of Ukraine and the investors. Then there will be no headache and a step towards reforms will be evident. Then Ukraine and the United States will begin speaking a common language, the language of trust and business.